



AUTO INSURANCE:

What They Don't
Teach You In

COLLEGE

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Auto Insurance: What They Don't Teach You in College

Remember when you turned sixteen? You were ready to go from 0-70 mph in 3.5 seconds, but the only thing you lacked was a driver's license. That little plastic card was your ticket to freedom! The DMV test was grueling and your driving instructor relentless (thanks, Dad), but all those hours practicing in parking lots paid off in the end. When you finally got your license, you knew the real meaning of freedom. You found yourself excited to go anywhere just as long as you were driving.

Now that you're older, the feeling of pure exhilaration (and sometimes insecurity) behind the wheel has probably faded like last year's blue jeans. You have gained confidence and control as a driver. At this point your friends and family are no longer afraid to drive with you. Just because you have learned to drive defensively, don't think you can "pass go" yet. With age comes increasing responsibility as a driver; namely, auto insurance.



Why Should You Care About Auto Insurance?

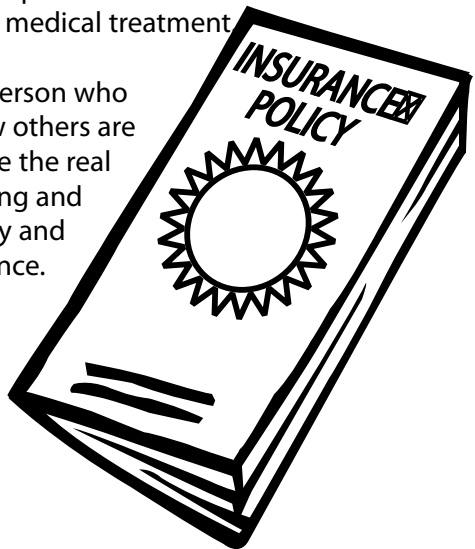
Insurance may not be at the top of your priority list right now, but soon it will be. If you have been lucky enough to be on your parents' auto policy, you may never have even considered auto insurance. In the near future, it is going to be up to you to get auto insurance because you can't stay on your parents' policy forever.

So, why do you need auto insurance anyway? Well, the first answer is simple: it's the law. The DMV requires that you take financial responsibility for owning and operating an auto in California. The easiest way of satisfying your financial responsibility is by buying liability insurance. Bodily injury liability limits must meet the minimum of \$15,000 per person and \$30,000 total for all persons per accident. Property damage liability limits must meet the minimum of \$5,000 per accident. Liability insurance protects you when you cause property damage or bodily injury to someone else when driving your car. If you are caught driving without liability insurance in California you will be charged hefty penalties. Violators can face up to hundreds of dollars in fines for a first time offense. Also, if you are involved in an accident and do not have liability insurance, your license may be suspended whether or not you are at fault.

Legal issues aside, insurance is a way to protect yourself in the case of an accident. Your coverage can't stop an accident from happening, but it can help to put you back in the place you were before an accident occurred. It can also protect you from financial hardship if you are at fault and hurt someone else or their property in an accident. There is no doubt that you need auto insurance. If you're not convinced yet, then read the following reasons to get insurance now, before it's too late:

- Do you have the money to pay for repairs if your car is damaged or vandalized? Physical damage coverage (comprehensive and collision) will pay for these types of repairs.

- Do you have the money to cover towing and car rental if you total your car? You can choose an auto policy with special coverage options such as towing and rental car coverage. It's not too cool when you're forced to take the bus to that brand new job!
- What would you do if your car was stolen? Would you be able to buy another car if the police didn't recover your car? Would you be able to pay off your car loan? Comprehensive coverage will put you back in the driver's seat with a total loss settlement if your car is stolen.
- Do you have the financial certainty that you can pay for any accident that was your fault? When you have liability insurance, your insurance company takes care of it.
- Would you rather pay a small deductible or the entire amount of damage to your car? That's a no-brainer!
- How would you feel if your friends were injured in your car and they could not afford medical treatment? Medical payments can provide an amount of coverage for initial medical treatment.
- Are you the type of person who complains about how others are so irresponsible? Take the real responsibility of driving and owning a car seriously and purchase auto insurance.



How Do You Shop for Auto Insurance?

Now that you have been convinced (maybe?) about the many reasons for purchasing auto insurance, it's time to learn about insurance shopping. Just like any other consumer product, it's just plain smart to comparison shop and be informed about what you are purchasing. We've all met status conscious people that only buy brand name merchandise and pay the highest prices at trendy retail outlets. Most likely we also know those who insist on always buying the cheapest item regardless of quality. Neither buying strategy is particularly worthy. You have worked hard for your degree, and you don't want to waste money needlessly on over-priced insurance, but you also don't want to buy something so cheap that you don't get the service you need when you need it. Here are a few things to remember when shopping for insurance, whether you're an insurance novice or not:

Get the facts!

Insurance may seem pretty simple, but allow adequate time to do some real research on policies and available coverages. Doing your insurance homework will ensure that you get the policy that is right for you. Everyone is an individual, so what is good for your best friend may not necessarily be the best thing for you. However, that doesn't mean you can't talk to your friends and family if you need help purchasing insurance. Never be afraid to ask questions. Contact your local agent or insurance company. After all, this is what they are getting paid for, and they need your business to stay in business. Also, don't overlook the research power of the Internet. The Internet provides a lot of insurance information. Make sure to access both consumer-oriented Web sites and company Web sites to get a complete picture of what is available to you.

CYA = Cover Your Automobile!

Now is the time to learn about the different types of coverage available like liability, comprehensive, collision, medical payments, and uninsured motorists. It's too late to discover you didn't have the right coverage or you didn't understand the coverage you had

when seeing your smashed up car at the towing yard. Buying auto insurance is a lot like going to a cafeteria, in that you pick and choose what coverage you want cafeteria-style. Since there is no such thing as “full coverage,” it is important to gain a working knowledge of all the coverage options. Each element of your policy will protect you in a different way. Whether you are at fault for an accident, have property damage to your car, or sustain bodily injury, the coverages you choose protect you differently depending on the circumstance. Most states require that you carry minimum liability limits, while other coverages are optional. Loan companies usually mandate that you carry comprehensive and collision coverage as a condition of your car loan. Find out what type of insurance is required of you based on what state you live in and the loan agreement you sign if your car is financed.

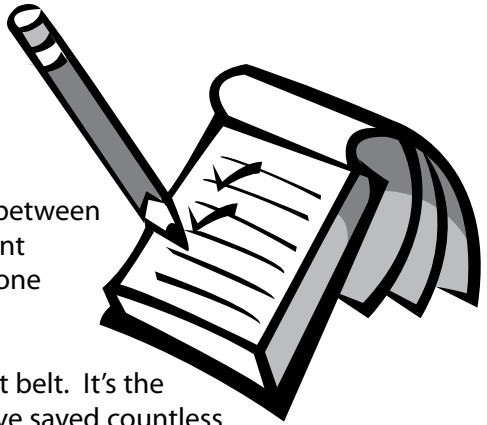
Shop ‘Til You Drop!

Be careful not to sacrifice the insurance coverage you need to save a few bucks. Sticking to a budget is one thing, but scrimping on auto insurance is a bad place to cut corners. When it comes to your safety and financial future, you have to play it smart. It’s not easy to build a career, pay back your student loans, and still be responsible for other obligations such as auto insurance. This is the main reason why you should shop around. There are a lot of great insurance companies that offer excellent coverage at competitive prices. It is a good idea to compare 4 to 5 companies when shopping for insurance. Have the agents or companies quote similar coverages, limits, and deductibles as much as possible, so you can compare apples to apples. Make sure to visit the California Department of Insurance Web site at www.insurance.ca.gov and compare the complaint information of the companies you contact for quotes. With complaint and premium information, you will be able to make the best decision possible.

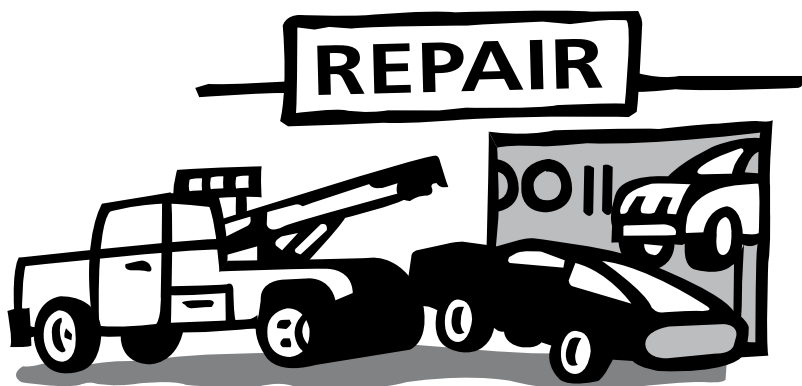
What Else Can You Do? Drive Safely!

Did you know drivers between the ages of 15-20 account for 14 percent of all fatal vehicle crashes? In fact, for the same age group, 30 percent of the drivers who were killed in auto crashes were under the influence of alcohol. Being a part of such a high-risk group can be scary, but driving safely is a goal that is attainable. Protecting yourself on the road is easier when you know the rules of safe driving and how to anticipate unexpected road hazards. Consider the following safe-driving guidelines to help protect you from being another fatality statistic:

- Drive at the speed limit and adjust your speed down for night driving and road conditions such as rain, snow, ice, or fog.
- Drive defensively. Look out for other drivers, pedestrians, cyclists, and animals.
- Keep a safe distance between you and the car in front of you. Back off! No one likes a tailgater.
- Always wear your seat belt. It's the law and seat belts have saved countless lives. Anyway, that glass in the forehead look is really overrated.
- Know how to work the controls and quickly check the instrument panel of your car. Playing around with the radio, cruise control, cell phone, or any other instrument control is dangerous and decreases your concentration.
- Pay attention when you drive. The most important thing to do when driving is driving!



- Drive sober. Choose a designated driver.
- Ride only with sober drivers. Offer to drive if the driver has been drinking or spring for a taxi. Almost half of the people who die in car crashes are passengers.
- Allow plenty of time to get where you're going. The idea is getting there! There's always time for a funeral.
- Make sure your car is in good working order. Know how to fill the gas tank, check the oil, change a flat tire, gauge tire pressure, fill windshield wiper fluid, and check windshield wipers for wear.
- Keep your car free of trash and clean all windows and mirrors. It's not good when your diet soda can gets lodged under the brake pedal.



Questions and Answers

Anticipating every question that you might have regarding auto insurance is kind of like expecting your professors to have your mid-term exam graded the day after you take the test. However, since it's our job to know your mind, we put together the following list of questions and answers after speaking with your peers and fielding their questions (names have been changed to protect the innocent):

Q: How does an insurance company calculate auto insurance premium?

A: Auto premium is based on three primary factors: how long you've had your license, how many miles you drive in a year, and how many accidents or tickets you have. The insurance company can also use a variety of secondary factors to determine premium, but the most important secondary factor is the frequency and severity of claims the company has experienced in the area where you live. Since claim experience differs between companies, the premium charged by insurance companies can greatly vary. That's why you need to shop around.

Q: Why does my policy cost so much?

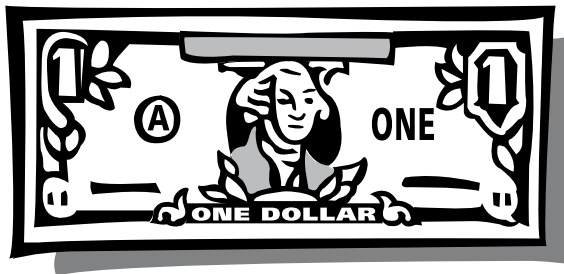
A: Auto insurance costs more for people who have little driving experience. Accident statistics show that newer drivers and drivers who are teenagers and young adults have an increased likelihood of accidents. As you get older and gain more driving experience, your premium will go down. However, you won't enjoy lower premium rates if you get too many tickets or have too many at-fault accidents along the way.

Q: Can an insurance company raise my premium because of tickets or accidents?

A: You bet they can! Your premium is partially based on your own driving experience. If you have tickets or at-fault accidents, you will be charged an additional surcharge based on the type of ticket or accident for which you have been cited. The more tickets and accidents you have, the higher your premium.

Q: What can I do to save some money on auto insurance?

A: Comparison shopping is the best way to save money on auto insurance. Savvy shoppers who keep a clean driving record will be able to



find the best insurance deals with good companies. Another way to save money is by taking larger deductibles and lowering limits; however, make sure that you are not putting your financial future in jeopardy by choosing low limits and high deductibles. Auto insurance needs to be a priority in your budget, not an afterthought.

Q: When I get my driver's license, will my parents' auto insurance cover me?

A: Generally speaking, if your parents have a standard auto insurance policy, it will cover any person in the household that drives on an occasional basis. However, when there is a minor or adult of legal driving age in the household, your parents' insurance company will require that person to be permanently added to the policy for a premium charge. The insurance company can also decide to exclude that person from your parents' policy if separate proof of insurance from a different insurance company is provided. An insurance company can start charging additional premium from the time that a driving permit is issued to a minor. It is up to the individual insurance company to determine when to start charging additional premium. Some will wait until the driver's license is issued.

Q: How do you pay for auto insurance?

A: When an insurance company offers coverage, the full premium is due up-front. However, most insurance companies offer payment plans. These payment plans require a down payment

and usually charge a small service fee for each installment. Brokers and agents may also offer premium financing options from premium financing companies. Read these contracts very carefully, as you may be responsible to pay the full premium amount to the premium financing company even if you cancel your auto policy in the middle of the term.

Q: What happens if I don't pay my premium?

A: The insurance company is only obligated to give you 10-day notice of cancellation due to non-payment of auto premium. What this means is if your premium is not in their office and applied to your account by 12:01 a.m. the day that it is due, the insurance company will send you a 10-day notice of cancellation. This gives you the chance to pay the



insurance before your policy is cancelled. If the company doesn't have your money, you don't have the coverage, and they will not send out another notice telling you that you have been cancelled. You can see why it is very important to make sure your payment is made in plenty of time.

Q: I am going to college in another state, do I have to make changes to my policy?

A: You will have to give the insurance company your new mailing address and the principal address where your car will be garaged. If your insurance company does not operate in the state where you will be attending college, you will have to get new insurance in that state.

Q: Is it true if I'm a full time student with a B average that I won't pay as much for auto insurance?

A: Some insurance companies offer special "good student" discounts. The idea behind the discount is that students who are busy studying and getting good grades are less likely to have the time to drive around partying and getting into accidents. Not all insurance companies offer good student discount. Contact your insurance company or company representative and ask.

Q: Is it okay to let a friend borrow my car? Will my car be covered if my friend is in an accident?

A: It's not a good idea to let your friends borrow your car. Most standard policies will cover a friend who has borrowed your car; however, if a friend borrows your car on a regular basis, the insurance company most likely will not pay for the loss. Also, some policies exclude coverage when someone other than you drives your car. It may not be fascinating reading like your psychology 101 text, but it pays to read and research your policy to see how your insurance company responds when an accident happens.

Q: What do I do if I am in an accident?

A: You need to exchange personal and insurance information with the person or person(s) involved in the accident. Write down names, phone numbers (work and home), license numbers, driver's license numbers, and insurance company names and policy numbers. Make sure you take down witness information as well. You may want to carry a cheap disposable camera in your glove compartment to take pictures of the accident scene and damage to the cars and other personal property. If there is bodily injury, call the police and ambulance if necessary. As soon as you can, call your insurance company and give them the details of the claim. You may want to see our brochure entitled, "So You've Had an Accident, What's Next?" for more helpful advice.

Where Can I Go for More Help on Auto Insurance?

If you need some help with questions on auto insurance or you are just looking for a place to start, contact the California Department of Insurance. Before you purchase insurance, you should check out the license status of all the parties involved. If you are going to an insurance agency or brokerage, you should make sure that it is licensed as well as the agent or broker you have contacted. The insurance company should also be licensed. We can provide that information to you online or at our Consumer Hotline number. Also, we have several auto-related brochures online that can give you tips on such topics as dealing with accidents or understanding basic auto insurance terms. They're not bestsellers, but they get the job done. Please see the "Talk to Us" section of this brochure for the many ways you can reach out and touch us. The following online sites* offer insurance tips and advice for young drivers:

- www.insurance.ca.gov
- www.dsac.com
- www.teendriver.com
- www.stardriver.com



* The California Department of Insurance does not endorse or recommend any particular insurance company, driving school, or other organization.

Talk to Us

Do you have a question, comment or concern?

There are several ways to talk to us:



- Call our Consumer Hotline at (800) 927-HELP
- Telecommunication Device for the Deaf dial (800) 482-4TDD
- Telephone lines are open from 8:00 AM to 5:00 PM Pacific Time, Monday through Friday, excluding holidays



- Write: California Department of Insurance
300 South Spring St., South Tower
Los Angeles, CA 90013



- E-mail us through our Web site at:
www.insurance.ca.gov



- Visit us in person on the 9th Floor at the address above. Office Hours: Monday through Friday 8:00 AM to 5:00 PM Pacific Time, excluding holidays

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- Hear answers to frequently asked questions
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Internet Services available 24/7

- Appointments for vehicle registration or driver license (except driving tests)
- Obtain information about services, local DMV business hours, locations, maps
- Obtain general information about: vehicle registration; driver licensing requirements; driver safety; businesses which DMV is responsible for licensing; registering to vote; how to access other government agencies.
- Download DMV forms and handbooks
- Take interactive sample driver license exams
- Obtain answers to frequently asked questions

Personal Notes